



STAFF REPORT

SAUSALITO CITY COUNCIL

AGENDA TITLE:

Consultant Services Agreement – Fee Study

RECOMMENDED MOTION:

Authorize City Manager to execute contract with CDM (formerly Camp Dresser and McKee)

SUMMARY

Fiscal Year 2008 was year five of a five year plan to adjust sewer rates. A new fee study needs to be done in order to assure that revenues continue to adjust in line with changes in costs. Engineering staff prepared a request for proposals to perform a new sewer rate study.

CDM of Walnut Creek responded to the request. They proposed preparing a fee study with an estimated budget of \$49,500. This work is identified in the 2008 Sewer Fund Budget. The Budget for this study is \$75,000.

Staff seeks authorization to enter into an agreement with CDM.

BACKGROUND

Residents in Sausalito are charged for sanitary sewer services on their property tax assessment. Currently this fee is 215 dollars per year. This fee was determined after a needs assessment was prepared in 2002. The needs assessment identified sewer repair projects, system upgrades and sewer studies to better comply with water quality and health regulations. Since that time the costs to implement the projects and programs has increased. The City lacks the revenue to fully implement the plan.

Also, in April of 2008, the EPA issued a Findings of Violation and Order for Compliance (EPA Order). The EPA Order prescribes actions that must be taken by the City with the knowledge and cooperation of the Tamalpais Community Services District (TCSD) and at the Sausalito Marin City Sanitary District (SMCSD). Many of actions were not envisioned in the 2002 needs assessment. Staff believes additional revenue will be needed to fund these new mandates.

The City issued a request for proposal and qualifications for a Fee Study on March 28, 2008. The request was sent to 10 firms with a deadline to respond on April 22, 2008. One firm responded. CDM, with a local office based in Walnut Creek.

Staff has reviewed the proposal. Staff believes the proposed team to be qualified to perform the work.

ISSUES

The City's purchasing policy requires evaluating proposals from at least three firms when the work or product is not proprietary. Staff solicited proposals from ten firms. One responded. Though staff believes that CDM is qualified, the Council may want to direct staff to seek additional proposals.

The request for proposals did not contemplate projects or actions that may be necessary to comply with the EPA Order. This is because the request was released before the order was released. Staff believes additional effort will be required to cost out actions required by the EPA mandates.

FISCAL IMPACT

The proposed work will have no impact on the General Fund. The work is proposed to be funded from the Sewer Fund which comes from sewer charges added to property tax assessments.

The estimate for the work is \$49,500. The Sewer Fund Budgeted \$75,000 for the study. Staff believes that the proposed estimate is reasonable. Given the EPA Order, staff suggests that additional resources be authorized in the event that EPA costing efforts exceed the proposed budget. Staff suggests that an additional \$15,000 be authorized for a total budget \$64,500 before additional authorization is required.

Because of the time of the year, a purchase order requisition is not attached. If approved a purchase order requisition will be prepared as quickly as feasible in the month of July in Budget Year 2009. The project is included in the 2009 Budget at the levels cited previously.

STAFF RECOMMENDATIONS


Adopt a motion authorizing the City Manager to execute a professional services agreement with CDM. The authorized amount shall not to exceed \$64,500 without further authorization.

Request for Proposal
Request distribution list
Professional Services Agreement

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Mary A. Wagner
Mary Wagner, City Attorney

Submitted by: 
Adam W. Politzer
City Manager

Adam W. Politzer
City Manager

**REQUEST FOR QUALIFICATIONS AND PROPOSAL FOR
CONSULTANT SERVICES TO PREPARE A
FIVE YEAR (2009 – 2013) SANITARY SEWER AND STORM
WATER FEE STUDY AND OTHER RELATED DOCUMENTS
WITHIN THE CITY OF SAUSALITO**

Release date: March 28, 2008
Closing date: April 22, 2008
Contact person: Todd Teachout, City Engineer

INTRODUCTION

The City of Sausalito seeks a qualified consultant to prepare Fee Study for its Sewer Services Enterprise. The City just completed implementing a five year sewer rate increase program. We need assistance to assure that future revenues are sufficient to provide needed services.

The City has begun to come under increasing scrutiny from regulators. The City continues to be in compliance with State General NPDES permits however wet weather overflows at facilities operated by the separately operated Sausalito Marin City Sanitary District suggests that insufficient efforts have been made to limit Infiltration and Inflow. The City has begun to discuss solutions to these problems with the Sanitary District and its other large customer, Tamalpais Community Services District. Major capital improvement programs are being discussed.

The waterboard is expected to adopt a Total Maximum Daily Load for Pathogens within Richardson's Bay in June, 2008. These new regulations are expected to require increased service levels.

Response to this request should include multiple phases of effort:

Phase 1 – Assessment to infrastructure and assessment of operations at current service and performance levels.

Phase 2 – Assessment of infrastructure and operation to satisfy new regulations and agreed upon regional sewer improvement program. Analysis of options to finance the new services (e.g. rate increases or property assessments/bonded indebtedness)

Sausalito is a small city at the southern end of Marin County and has shoreline along San Francisco and Richardson Bays. The City was incorporated in 1893. It has a population of approximately 7,500. The area of the City is approximately 2.5 square miles. The City operates and maintains the sewage collection system. Wastewater is treated by the independent Sausalito-Marin City Sanitary District. Commercial interests in the City include tourism based businesses (Hotels, Restaurants, gifts, tour businesses), there are numerous art galleries and artists studios. Yachting and nautical based businesses are also prevalent. With the exception of the commercial areas residents have homes built on steep hillsides. Local streets are generally narrow (under 22 feet wide) and lack sidewalks. Sausalito provides an excellent view of the City of San Francisco, Angel Island, and the East Bay Hills. The City abuts the Marin Headlands which are a part of the Golden Gate National Recreation Area.

The City operates a Capacity Management, Operations and Maintenance Program which contains a full inventory of the Sanitary Sewer System (mains only) and Maintenance Records. The City performed a

video inspection of the Sewer System in 2001/02 and has been recording maintenance activities through the system since that time. A sewer repair project list was developed and portions of this program have been implemented.

Because of the small size of the organization of Sausalito, the Consultant will need to operate independently with little staff support beyond supplying historical records and approval process guidance.

SCOPE OF WORK

Consultants will be asked to complete the following major elements in the Sewer Fee Update Study:

- I. **Revenue Needs** – Assess revenue needs for the next five year period. The assessment shall include estimates for adequate financial resources covering: operations and maintenance, capital projects, and program activities. This assessment needs to address trends in operating costs, anticipated changes in regulatory requirements, as well as document and evaluate service enhancements.
- II. **Rate Structure and Finance Options** – Evaluate existing rate structure. The consultant will consider its adequacy to maintain existing and foreseeable new services. The evaluation will consider potential demographic changes, “market” comparisons with nearby collection system operators, the effects of potential initiatives that may affect the fee structure. The consultant will be required to identify options for changing the current structure to assure the fees for sewer services are adequate.
- III. **Billing Methods** – Evaluate the current method of fee collection (currently and generally, it is a fee on property tax bill) versus other methods.
- IV. **Reserves** – Examine adequacy of reserves for operations and capital projects. The objective is to define industry practices and evaluate if current and forecast levels conditions are sufficient and consistent with the practices.
- V. **Model & Processes** – Develop a model that is compatible with existing or selected new fee collection systems. The model must be evolved enough to not require specialized or specially trained personnel for updating. Updates need to be performed by generalist City staff.
- VI. **Education & Involvement** – Educate and involve appropriate staff, the citizens, and City Council in key policy discussions and decisions on financial options/policies. This effort is expected to occur during the early phases of the financial study and during mid project phase to get direction on draft recommendations. The consultant shall incorporate policy decisions of City Council in final documents.

SCHEDULE

Work will begin immediately upon execution of an agreement with the selected consultant with major work to be completed in time for Phase 1 Implementation by July 1, 2009.

BUDGET

The City has budgeted \$75,000 for the financial consultant work.

PROPOSAL FORMAT

A qualifying proposal shall be submitted to the City of Sausalito addressing all of the points in the above scope of work in the following format:

1. A brief description of the firm, contact person or persons, address, telephone number, fax, and e-mail address.
2. Resumes of key staff who will work on the project.
3. A description of the firm's knowledge and past experience regarding the development of sewer maintenance project plans and related work.
4. Three references who have direct knowledge and experience working with the firm on recent projects that are similar in nature to the scope of work outlined in this RFQ/P.
5. A schedule and description of milestones and deliverables to evidence progress and achievement that will coincide with billing cycles.
6. A cost proposal detailing the cost for each phase of the proposed work.

PROPOSAL SUBMITTAL

1. Provide five (5) copies of the proposal no later than 5:00 p.m. on the "closing date" listed on the front page of this RFP. Proposals shall be addressed to Todd Teachout, Sausalito Community Development Department, City of Sausalito, 420 Litho Street, Sausalito, CA 94965.
2. All proposals shall be submitted in a sealed envelope, clearly marked with the title of this RFQ/P, with the closing date and time.
3. Late proposals will not be accepted.
4. All proposals, whether selected or rejected, shall become the property of the City of Sausalito.
5. The cost of RFQ/P preparation shall be that of the consulting firm and shall not be paid by the City of Sausalito.
6. Proposals shall be signed by an authorized employee in order to receive consideration.
7. City of Sausalito will not be responsible for proposals delivered to a person or location other than that specified herein.

SELECTION PROCESS AND AWARD CRITERIA

1. The City of Sausalito will use a competitive evaluation process wherein the experience, background, and knowledge of each firm is evaluated as it relates to the scope of work. After the evaluation committee has reviewed and discussed proposals with the firm's proposing, each will be rated using the following rating criteria and schedule.

| | | |
|----|--|-----------|
| A. | The consultant's compliance in addressing the scope of work items and the approach to the project. | 25 points |
| B. | The specific experience and references from former municipal clients. | 25 points |
| C. | The consultant's working knowledge of Sausalito, Sausalito Marin-City Sanitary District and other sewer utility districts in the vicinity. | 5 points |

| | | |
|----|--|-------------------|
| D. | The consultant's approach to completing the work scope | 25 points |
| E. | Review of Consultant's example studies from the proposed team. | 10 points |
| F. | The consultant's proposed fee and schedule. | 10 points |
| | TOTAL | 100 Points |

2. The City of Sausalito will exercise its discretion in selecting a firm and will likely be asked by the City Council to negotiate a contract in accordance with the City's selection process.
3. The City of Sausalito reserves the right to award a contract to the firm that presents the proposal which, in the sole judgment of the City, best serves the community's interest.
4. The City of Sausalito reserves the right to reject any and all proposals, to waive minor irregularities in proposals, or to negotiate minor deviations with the successful firm.

CONFLICT OF INTEREST

The consultant selected to perform the work warrants that no official or employees of the City of Sausalito, nor any business entity in which an official of the City of Sausalito has an interest, has been employed or retained to solicit or assist in the procuring of the resulting contract, nor that any such person will be employed in the performance of such contract without immediate divulgence of such fact to the City Manager.

INSURANCE

The successful firm shall provide an original certificate of insurance naming the City of Sausalito as an additional insured for the following:

1. Worker's compensation.
2. General liability and property damage.
3. Automobile insurance.
4. Errors and omissions.
5. The policy shall not be cancelable within thirty (30) days advance notice to the City of Sausalito and shall be in a form approved by the Sausalito City Attorney.
6. In the event that the policy is cancelled prior to the completion of the project, the City of Sausalito may obtain the required insurance and deduct the premiums from the contract.
7. If the policy is a claims made policy, the policy shall contain language providing coverage of up to six (6) months following the completion of the contract in order to provide insurance coverage for the hold harmless provisions herein.
8. As used above, Consultant or consultant includes any administrative sub-contractor, agents, officers, or employers.

INDEMNIFICATION

1. The consultant agrees to hold harmless and to indemnify from every claim or demand which may be made for any injury or death or damage to property caused by consultant in the performance with a future contract.
2. Such duty is irrespective of the date upon which the claim or demand is asserted, and if any judgment is rendered against the City for any injury, death, or damage caused by the consultant in the performance of the work, the consultant at his or her expense shall satisfy and discharge any judgment. None of the foregoing paragraphs shall be applicable to injury, death, or damage caused by the City of Sausalito's negligence. The consultant agrees that it shall immediately notify the City

of Sausalito and the consultant's insurance carriers of any incident during the performance of the work which may result in a claim or liability.

ASSIGNMENT

Any work resulting from this RFQ/P, and any amendments or supplements thereto, shall not be assignable by the successful bidder either on a voluntary or involuntary basis or by the operation of law without the written approval of the City of Sausalito and shall not become an asset in any bankruptcy, receivership, or guardianship proceedings.

Please limit responses to 8 to 12 pages, excluding any attachments

CONTACT

All contacts regarding this RFQ/P shall be directed to:

Todd Teachout
City Engineer
City of Sausalito
(415) 289-4111
tteachout@ci.sausalito.ca.us

If you have received this RFQ/P and have no interest in responding, please pass it along to a professional firm who may. Thank you.

REQUEST FOR PROPOSALS

Sanitary Collection System Capital Improvements Assessment Proceedings Sewer Rate Study

LaTonya Price
CH2MHill Engineers
33 New Montgomery Street
Suite 2000
San Francisco, CA 94105
1-415-541-7220

Kanda Raj
Nolte Engineering
201 North Civic Drive
Suite 255
Walnut Creek, CA 94596
925-934-8060

Mark Wilson
Nute Engineering
907 Mission Avenue
San Rafael, CA
415-453-4480

Diane Fontes
Winzler & Kelly
417 Montgomery Street
Suite 700
San Francisco, CA 94104
415-283-4970

Kerry Gudjohnsen
Kennedy/Jenks
622 Folsom Street
San Francisco, CA 94107
415-243-2150

Jennel McDonald
CDM
100 Pringle Avenue
Suite 300
Walnut Creek, CA 94596
925-933-2900

Tessa Taylor
Boyle Engineering
100 Howe Avenue
Suite 250 N.
Sacramento, CA 95825
916-483-7771

Janice Sykes
Black & Veatch
2999 Oak Road
Suite 490
Walnut Creek, CA 94597
925-949-5900

Beth Linskens
Brown & Caldwell
201 North Civic Drive
Suite 115
Walnut Creek, CA 94596
925-937-9010

Rick Chan
Carollo Engineers
2700 Ygnacio Valley Road
Suite 300
Walnut Creek, CA 94598
925-932-1710

Vivian Housen
RMC Water and Environment
2001 N. Main Street, Suite 400
Walnut Creek, CA 94596
925-627-4100 ph
925-627-4101 fax

CITY OF SAUSALITO
PROFESSIONAL/CONSULTING SERVICES AGREEMENT

This **PROFESSIONAL/CONSULTING SERVICES AGREEMENT**, (this "Agreement") is made and entered into this 10th day of June, 2008, by and between the **CITY OF SAUSALITO**, a municipal corporation (hereinafter "City") and **CDM** (hereinafter "Consultant").

In consideration of the mutual promises contained herein, the parties hereto agree as follows:

Section 1. Scope of Work

Consultant shall provide City with the services described in Exhibit A which is attached hereto and incorporated herein by this reference as though set forth in full.

The duties and services required of Consultant under this Agreement and pursuant to this Section 1 are referred to throughout the remainder of this Agreement as "the Work."

Section 2. Responsible Individual. The individual directly responsible for the performance of the duties of Consultant is **Grant Hoag**. Consultant represents and warrants that the execution of this Agreement has been approved by Consultant and that person executing this Agreement on behalf of Consultant has the full authority to do so.

Section 3. Work Schedule.

Consultant shall be available to work as many hours as required to complete the Work immediately upon receipt of the signed Agreement from the City and shall complete each task in a timely manner as specified. Consultant shall not be held responsible for delays caused beyond its reasonable control.

Section 4. Compensation.

In consideration of the performance of the Work described in Section 1 pursuant to the schedule set forth in Section 3, Consultant shall be compensated at the rate set forth in Exhibit B which is attached hereto and incorporated herein as though set forth in full. Consultant shall not charge City for any administrative expenses or overhead, including without limitation, facsimile, mileage and other/or any other expenses incurred by Consultant in connection with Consultant's provision of the Work. Consultant acknowledges and agrees that the compensation to be paid to Consultant under this Section 4 represents the

full amount due and owing to Consultant in connection with performance of the Work.

Section 5. Amendments.

In the event City desires to retain Consultant for the performance of additional services, or wishes to delete any services in connection with this Agreement, specifications of such changes and adjustments to compensation due Consultant therefore shall be made only by written and signed amendment to this Agreement.

Section 6. Independent Contractor - Subcontractors.

It is specifically understood and agreed that in the making and performance of this Agreement, Consultant is an independent contractor and is not and shall not be construed to be an employee, common law employee, agent or servant of City. The consultant shall be solely liable and responsible to pay all required taxes and other obligations, including, but not limited to, withholding and Social Security. Consultant acknowledges and agrees that he/she is not entitled to the benefits of civil service status and/or the rights and privileges enjoyed by civil service employees and Consultant hereby waives any and all claims to such rights and/or privileges.

Section 7. Consultant's Responsibility.

It is understood and agreed that Consultant has the professional skills necessary to perform the Work, and that City relies upon the professional skills of the Consultant to do and perform the Work in a skillful and professional manner in accordance with the standards of the profession. Consultant thus agrees to so perform the Work.

Acceptance by City of the Work, or any of it, does not operate as a release of the Consultant from such professional responsibility. It is further understood and agreed that Consultant has reviewed in detail the scope of the work to be performed under this Agreement and agrees that in his professional judgment, the Work can and shall be completed for a fee within the amounts set forth in Section 3 of this Agreement.

Section 8. Hold Harmless and Indemnification.

- (a) To the fullest extent permitted by law and without limitation by the provisions of Section 4 below relating to insurance, Consultant agrees to defend, indemnify and hold harmless the City, its elected and appointed officials, officers, agents, employees and volunteers from any and all claims, demands, suits, losses, damages, injuries, and liability, direct or indirect including any and all costs and expenses in connection therewith,

incurred by reason of any acts, errors, or omissions of Consultant, whether negligent or intentional, under or in connection with this Agreement. Consultant further agrees to defend the City, its elected and appointed officials, officers, agents, employees and volunteers at its own cost, expense, and risk, and to pay and satisfy any resulting judgments. The Consultant's obligations under this Section 3 apply regardless of whether or not a liability is caused or contributed to by any act or omission of the City, except that the Consultant shall not be obligated to indemnify for liability arising from the sole negligence or willful misconduct of the City. The provisions of this Section survive the completion of the Project and/or termination of the Agreement.

- (b) To the fullest extent permitted by law and without limitation by the provisions of Section 4 relating to insurance, the Consultant shall also indemnify, defend and hold harmless the City its elected and appointed officials, officers, agents, employees and volunteers from and against all liability (including without limitation all claims, damages, penalties, fines, and judgments, associated investigation and administrative expenses, and defense costs, including but not limited to reasonable attorneys' fees, court costs, and costs of alternative dispute resolution) resulting from any claim of discrimination or harassment, including but not limited to sexual harassment, arising from the conduct of the Consultant or any of the Consultant's officers, employees, agents, licensees, or subcontractors. In the event of a discrimination or harassment complaint against any employee, agent, licensee or subcontractor of the Consultant or its subcontractors, the Consultant shall take immediate and appropriate action in response to such complaint, including, but not limited to termination or appropriate discipline of any responsible employee, agent, licensee or subcontractor. The provisions of this Section survive completion of the Project and/or termination of the Agreement.

Section 9. Insurance.

Consultant shall take out and maintain during the life of the Contract: (a) Comprehensive General Liability and Automobile Liability insurance in an amount not less than \$ 2,000,000 combined single limit applying to bodily injury, personal injury and property damage; (b) professional liability insurance in the amount of \$1,000,000 per claim and \$ 2,000,000 aggregate.

The liability policy(ies) are to contain, or be endorsed to contain, the following provisions:

The City, its officers, elected and appointed officials, employees, Consultants and agents must be named as a Named Insured under the coverage afforded with respect to the work being performed under the Agreement.

Section 10. Nondiscrimination.

There shall be no discrimination against any employee who is employed in the Work, or against any applicant for such employment because of race, religion, color, sex or national origin. This provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer, recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

Section 11. City Personnel Conflict of Interest.

No officers, member, or employee of City and no member of the governing body of City who exercises any functions or responsibilities in the review, approval of the undertaking or carrying out of the project, shall participate in any decision relating to this Agreement which affects his personal interest or the interest of any corporation, partnership, or association in which she is, directly or indirectly interested; nor shall any such officer, member or employee of City have any interest, direct or indirect, in this Agreement or the proceeds thereof.

Section 12. Consultant Conflict of Interest.

Consultant covenants that she presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of his services hereunder. Consultant further covenants that in the performance of this Agreement, no persons having any such interest shall be employed.

Section 13. Assignment.

Consultant shall not assign any interest in this Agreement, and shall not transfer any interest in the same (whether by assignment or novation) without the prior written consent of City.

Section 14. Ownership of Documents.

Consultant agrees that all documents produced in the performance of this Agreement shall be the sole property of the City including all rights therein of whatever kind and whether arising from common or civil law or equity. The Work shall be used solely for the project for which it was originally intended.

Section 15. Termination.

City may terminate this Agreement at any time without reason stated or required by giving written notice of the same and specifying the effective date thereof, at least seven calendar days before the effective date of such

termination. If the Agreement is terminated by City as provided herein, Consultant shall be paid for all effort and material expended on behalf of the Work under the terms of this Agreement, less any charges against Consultant as otherwise provided herein, up to the effective date of termination, except that upon notification of such termination, Consultant shall immediately cease to undertake any duties under the Agreement not yet underway, and shall limit its further activities up to the effective date of termination to those duties necessary to wind up work then underway.

In Witness Whereof, City and Consultant have executed this Agreement as of the date first written above.

City of Sausalito

Consultant

By: Adam W. Politizer
City Manager

By: _____
Its: _____

approved as to form:

Mary Anne Wagner
City Attorney

EXHIBIT A
SCOPE OF WORK



Mr. Todd Teachout, City Engineer
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4. Establish Recommended Rates — Based on professional judgment, discussions with City staff, and presentations to the City managers, the best fee structure and billing mechanism is identified and recommended.

SCOPE OF WORK

Accomplishment of the project objectives is dependent on a well organized project approach that is defined by work tasks. To implement the key steps described above, CDM will perform the 14 tasks set forth below. All work will be done by CDM staff, while the City's efforts will be primarily to provide financial and sewer service system and customer billing data, to facilitate the acquisition of water use data, and to provide input on policy issues.

Task 1 — Meet with City Staff

We will meet with City staff at the beginning of the rate study in a kickoff meeting to introduce our project management methods and describe our quality controls, clarify and set specific project goals and schedules, and determine how study issues should be handled. Both the project manager and director will attend the kickoff meeting. The kickoff meeting discussion issues will include:

- Identification of potential sources of information
- Channels of communication and protocols
- Project goals, milestones, and deliverables
- Description of study documentation, format, and content
- City wants and needs

At this meeting, we can review similar rate models and reports to confirm the study deliverables.

Task 2 — Affirmation of Financial Policies and Service Levels

We will conduct a City staff workshop early in the study to address and document the City's financial policies and guidelines. We will also hold a discussion with City Engineering and Public Works staff to ascertain current operation activities and service levels. Issues to be discussed will include:

- Fund types and levels (replacement, working capital, regulatory, emergency)
- Rate setting policy (generally accepted versus stakeholder responsive)
- Rate Shock Avoidance (frequency and degree of rate adjustments)
- Billing policies
- Cost of service allocations based on:
 - ✓ Average or peak wastewater flows and capacities
 - ✓ Type of customer account
 - ✓ Inflow/Infiltration cost allocations
- Rate structure elements to develop:
 - ✓ Readiness to serve (fixed customer charge) element
 - ✓ Water usage-based charge
- Methods to estimate wastewater discharge quantities:
 - ✓ Annual versus seasonal water use
 - ✓ Customer class-based return to sewer factors
 - ✓ Customer classification alternatives using water accounts
- Calculation and notification requirements of Proposition 218

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- Public outreach coordination with the City Sustainability Commission
- Evaluation of current city maintenance policies and procedures
- New activities for compliance with SWRCB Order No. 2006-0003 General Waste Discharge Requirements (WDR)
- Any other issues that may arise

Task 3 — Review Financial and Engineering Information

CDM will review the City-provided sewer system information, including:

- Annualized sewer system capital project costs
- 1991 City ordinance
- Wastewater flow monitoring data
- Sewer system master plans and similar studies
- Account-level metered water usage
- Historical expenses and budgeted Sewer Enterprise costs
- City sewer system current and projected staffing levels
- System capacity data

Task 4 — Determine Sewer System Customer Water Use Characteristics

The product of this task will be an estimate of metered water use returned-to-sewer ratios for each customer class, based on seasonal variations in water demands. The ratios will be for both average annual and minimum (winter period) water consumption, calculated from water usage information developed by the City from the Water District.

Task 5 — Determine Customer Discharge Characteristics

The results of this task will be the projection of user class-level customer wastewater discharge characteristics and billable wastewater discharge parameters.

The evaluation will include development of average and maximum monthly flows, I/I, number of residential households, and the number of connections by user classification. We will develop a mass balance of the average annual wastewater flows to the Sanitary District from the major user classifications and from I/I. An equitable allocation of costs to the various users of the system depends on the accuracy of the estimates of wastewater flow contributed by the various users or user classes. Because individual wastewater discharge is not metered directly, this estimation process requires relating wastewater discharge to other suitable indicators such as individual or customer class water use (winter or annual) and return to sewer ratios.

Task 6 — Determine Financing and Capital-Related Revenue Requirements

This task will result in the development of a financing plan. The plan will combine the asset replacement funding requirements calculated from fixed asset information provided by the City, with the capital improvement projects. It will result in an annual projection of the capital-related revenue requirements for the five-year study period, including pay-as-you-go project funding, and loan-funding projects and annual debt service requirements. In consultation with City staff, we will review the City sewer utility's existing capital projects and identify the most likely financing alternatives. Our team will also identify

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funding mechanisms, including the existing \$2 million low-interest SWRCB loan and other state programs, and develop a financial plan scenario with estimated annual debt service.

Task 7 — Project Future Operation and Maintenance (O&M) Expenses

CDM will analyze the sewer system's current O&M expenses to project future expenses beyond the current budget. We will perform the following subtasks:

Subtask 7.1. Analyze prior year expenses and the current budget.

Subtask 7.2. Identify the cost-influencing factors such as new SWRCB Waste Discharge Requirements and inflation factors to be used for the study period.

Subtask 7.3. Determine total O&M expense levels for the proposed study period consistent with projections of customer wastewater discharges, inflation, proposed capital projects and maintenance activities.

Task 8 — Determine Total Rate-based Revenue Requirements

We will summarize the total revenue requirements for each year of the proposed five-year study period based on a cashflow identifying the sources and uses of funds. We will subtract from these revenue requirements the non-operating revenues from other income (interest income, connection fees, miscellaneous fees, etc.) to determine the annual revenues to be recovered from sewer rates.

Subtask 8.1. Develop a Phase 1 projection of rate-based revenue requirements at current service and performance levels.

Subtask 8.2. Develop a Phase 2 projection of rate-based revenue requirements that satisfy new regulations and the City's share of the regional improvement program.

Task 9 — Conduct Wastewater System Cost of Service Analysis

The purpose of this task is to allocate the utility costs to appropriate functional cost categories of customer type, water meter size and flow so as to be able to recover costs from customers commensurate with their contributions to these categories. To provide rate equity among customers, it is necessary to allocate the costs of accommodating these demands to the customers in proportion to their sewer characteristics. This is accomplished by determining unit costs for each billable parameter of wastewater flow, I/I, and number of customers, and multiplying the resultant values by each user's contribution to that particular billable parameter. The findings of the cost of service evaluation allocate the City's costs to the different users of the City's sewer system, and provide unit costs of service to be used in the development of sewer rates that are fair and equitable to each user class.

Task 10 — Evaluate Alternative Rate Structures

In this task, we will evaluate alternative rate structures for sewer service fees that could be incorporated into the recommendations. Moreover, the development of a benefit assessment to property owners for the sewer system capital improvements will be evaluated. The alternatives to be evaluated will incorporate the study's ratemaking goals and objectives. The pros and cons of each alternative will be

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reviewed, and, based on discussion with City staff, we will provide recommendations for the future rate structure or benefit assessment. These objectives will be achieved by performing the following subtasks:

Subtask 10.1. Use seasonally-based water usage records to validate statistically significant variations in estimated wastewater flows. Significant variations will warrant flow-based billings at the customer account level to enhance rate equity.

Subtask 10.2. Assess the viability of using prior winter period water usage for billing the following year sewer charges using the water purveyor billing systems. Describe the pros and cons of this alternative, including the fluctuation in annual revenues with seasonal variations in water use, and the need for frequent unit rate resetting. Review and discuss the equity and the appropriateness of a fee ceiling or cap on sewer user charges based on seasonal water demand data.

Subtask 10.3. Develop sanitary sewer rates for each customer class using the unit costs of service. This is achieved by multiplying the unit costs for each billable parameter (flow, meter size, 1/1, and number of customers) by each customer class contribution to these parameters. Describe the pros and cons of equivalent dwelling unit-based flat rates versus variable water consumption-based rate charge structures for different user classes.

Subtask 10.4. Identify appropriate parameters for a City-wide benefit assessment of the capital costs for local and regional facility improvements. These parameters may include parcel type and area, front footage length, parcel elevation and sewer capacity requirements based on other indices. Identify state laws and regulations governing benefit assessments, and describe the pros and cons of benefit assessment funding of capital costs versus fee-based sewer service charges.

The financial and administrative impacts of these issues will be reviewed, and the resulting evaluation will provide a capital and operating cost funding strategy to attain the required level of equitable revenues.

Task 11 — Develop Recommended Sewer Rates and Assessments

In this task, we will use the results from the preceding tasks to address ratemaking issues and summarize proposed rates and assessments that can be adopted by the City. The subtasks to be performed in this task are:

Subtask 11.1. Prepare a rate and benefit assessment schedule in an equitable, defensible, and easily understood methodology.

Subtask 11.2. Develop typical bills associated with the proposed sewer rates and assessments and provide a survey of the proposed City sewer utility rates with the sewer rates of up to five comparable communities.

Task 12 — Evaluate and Recommend Sewer Service Billing Method

An evaluation of the City's alternatives to the current parcel-based billing system will be conducted. It will identify the costs, administrative burdens, and the pros and cons of each alternative for issuing the calculated charges. The alternatives to the current sewer service fees on property tax bills include direct City mailing, combined water/sewer billing with the water district, and new benefit assessments of capital-related costs.

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Task 13 — Develop Computer Rate Model

We will develop a rate determination model using Excel spreadsheet software in a manner compatible with the City's computer capabilities. We will use the model during the course of the study to examine the impact of variables on rates and the various rate alternatives on the bills of various customers. In addition, the City will be able to use the model to update the rates on an annual basis. The model will be developed specifically for the circumstances unique to the City's sewer utility. A copy of the model will be provided as a work product to the City.

Task 14 — Prepare Report and Meet with City

We will document the results of the study in a report. Three copies of a draft report and an electronic copy will be furnished to the City for review. Upon receipt of City comments, the City will receive 10 copies of the final report and an electronic copy. The report shall include a table of contents; an executive summary; a detailed description of the work performed including findings, conclusions and recommendations; the study model and documentation of each table and figure in the model; and other information to support the study.

In addition to the kickoff meeting and financial policy workshop, we will discuss the draft report with the City staff, hold two meetings with the City's Sustainability Commission, stakeholders or sewer service customers, and present the draft report at a public hearing to the City Council. The project manager will attend all meetings, while the project director will attend the kickoff and draft report discussion meeting with staff. For the purpose of budgeting, it is estimated that this study will include a total of four staff or commission meetings, one financial policy workshop, and one public presentation.

We also will provide other minor services relating to implementing the recommended rates, including the development of billing worksheets.

COMPANY DESCRIPTION

Founded as a partnership in 1947, CDM was first incorporated in 1970. The firm overall has always operated under the Camp Dresser & McKee name since its founding more than 55 years ago. CDM's headquarter is in Cambridge, Massachusetts, and has local offices throughout the United States, including Walnut Creek, Los Angeles, Sacramento, and Irvine. As an employee-owned corporation with a multi-disciplinary staff of 4,000 in over 100 offices worldwide, CDM maintains the size, stability, and resources required to successfully undertake a diverse range of projects.

CDM is employee owned and governed by a Board of Directors that is chaired by Mr. Thomas D. Furman, Jr. CDM's organization is structured to closely align with our clients in order to provide exceptional client service. CDM provides services through the following four major business units:

- Public Services Group
- Industrial Services Group
- Federal Services Group
- International Services Group

These units are supported by the technical groups: the Construction Division and the Consulting and Engineering Division (CED). Your proposed project team is part of the Utility Management Consulting Group within CED. The Utility Management Consulting Group specializes in a variety of utility

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EXHIBIT B
FEE SCHEDULE



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Vallejo Sanitation and Flood Control District, California. Project manager Grant Hoag conducted a sewer utility revenue requirement review and financing plan that incorporated a court-mandated five-year, \$65 million capital improvement program, a cost of service evaluation, and alternative rates assessment. The study included technical study findings, public workshops, and citizen's advisory committee discussions to reach consensus on new rates.

Reference: Ken Spray, Finance Director, (707) 651-7136, ext. 221

City of Redondo Beach, California. Project manager Grant Hoag developed new sewer service charges for the city. As project manager, Mr. Hoag was responsible for the scope of services that included development of a sewer enterprise, identification of project funding mechanisms, a cost of service study, development of a rate structure, and conduct of public presentations. Three years later the city requested Mr. Hoag update the utility charges under the new costs of the State Waste Discharge Requirements.

Reference: Steve Huang, Director of Engineering (310) 318-0661 ext 1- 2431

Water and Sewer Study – San Francisco PUC, California. Project Manager Jake Boomhouwer conducted a comprehensive water and sewer rate study for San Francisco PUC. The City had significant needs for capital improvements as well as a need to assume its users that rates are equitable and based on cost of service.

Reference: Bill Laws, Rates Manager, (415) 487-5251

STUDY BUDGET

CDM will perform the tasks in this scope on a time and materials budget for an estimated budget of \$49,500. The budget is based on 281 total study hours plus other direct costs for travel and report production. In conformance with your request, we have identified the Phase 1 budget at \$40,000, including all proposed meetings and deliverables. Phase 2 activities are presumed to be limited to a five-year projection of sewer utility cost escalations from new regulatory requirements, and any increases in capital project-related expenditures over current levels. As such, Phase 2 costs are estimated at \$9,500.

STUDY SCHEDULE

CDM is prepared to start work immediately upon receipt of a notice to proceed and delivery of City-supplied data. The Kickoff and Financial Policy meeting should be scheduled to occur within one month of the receipt of data. Preliminary findings on projected revenue requirements will be available within two months of the start, and a draft report providing findings and conclusions will be completed within three months of the start date. A final report will be delivered within two weeks of written City comments on the draft report. Note that under state law, public notification of the proposed rate updates must be delivered by mail to all current and proposed customers at least 45 days prior to a public hearing on the rates. No difficulty is anticipated in implementing the updated rates in time to place the updated fees on the County tax rolls by the month of August 2009.

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